

MEMORANDUM



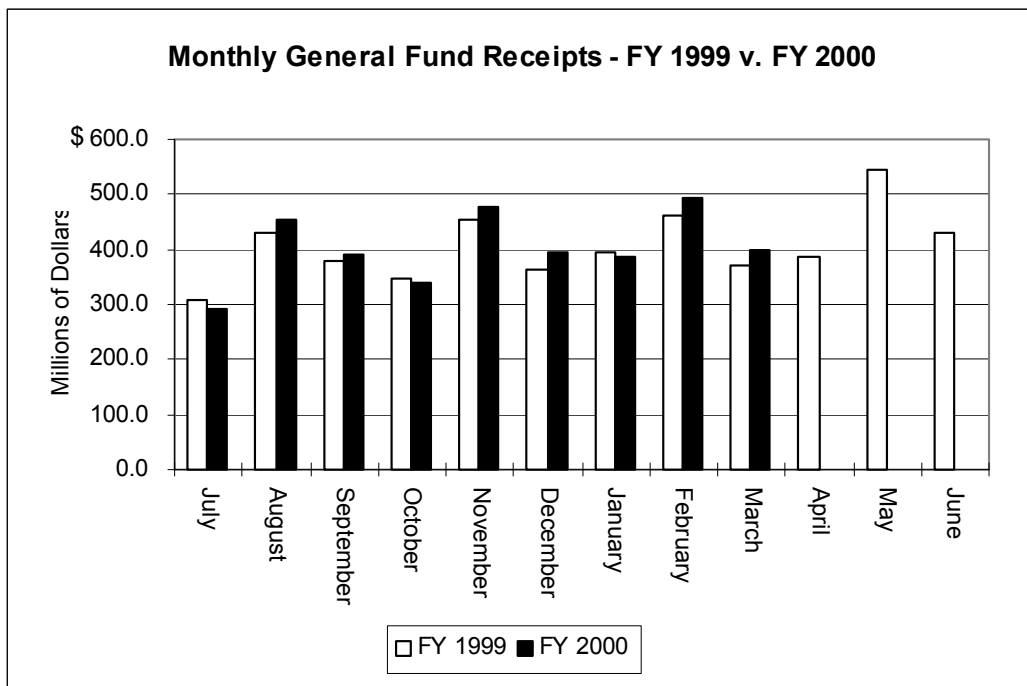
TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Dennis C. Prouty

DATE: April 3, 2000

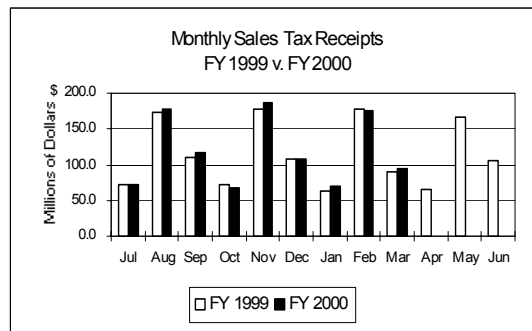
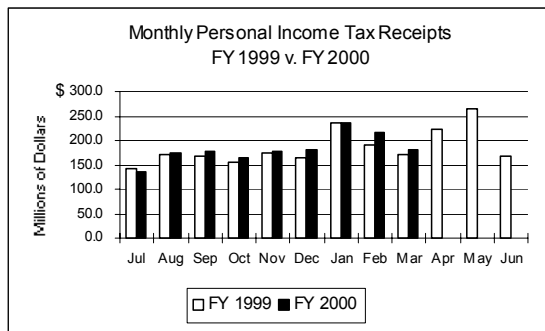
General Fund Receipts Through March 31, 2000

The attached spreadsheet represents total FY 2000 General Fund receipts, with comparable figures for actual FY 1999. These can be compared to the latest FY 2000 estimate (\$5.060 billion) set by the Revenue Estimating Conference (REC) on December 9, 1999. The estimate represents an increase of \$180.4 million (3.7%) compared to FY 1999.



FY 2000 Compared to FY 1999

Year-to-date FY 2000 revenue growth increased by \$112.1 million (3.2%) compared to FY 1999. This is below the REC estimate of 3.7% for FY 2000. Total March 2000 revenues increased \$24.2 million (6.5%) compared to March 1999.



Gross personal income tax revenues received in March were \$8.8 million (5.1%) more than March 1999. Year-to-date growth in personal income tax is \$60.1 million (3.8%) more than FY 1999.

Withholding receipts increased in March, increasing by 4.5% compared to March 1999. Year-to-date growth in personal income tax withholding payments is \$70.1 million (5.5%) more than FY 1999.

Estimate payments received during March increased by \$0.3 million (15.1%) compared to March 1999. Year-to-date growth in personal income tax estimate payments are \$19.2 million (7.7%) less than FY 1999. July and October 1998 estimate payments were very strong, but moderated through the remaining months of FY 1999. Year-to-date experience indicates that FY 2000 estimate payments will more closely follow the lower level of the second half of FY 1999.

Final payments made when filing tax year 1999 individual income tax returns have increased year-to-date by \$9.1 million (18.2%) compared to FY 1999. In March, final payments increased by \$2.4 million (7.2%) compared to March 2000. During the first half of March, a period characterized as the farm return processing period, final payments increased by \$6.6 million (16.9%) compared to the same period in FY 1999. However, final payments processed during this period during FY 1999 were uncharacteristically low. This year's amount represents a return to a more normal level.

The REC FY 2000 income tax estimate of \$2.332 billion represents a projected increase of 4.4% compared to actual FY 1999.

Sales tax receipts in March were \$5.1 million (5.6%) more than March 1999. Growth in FY 2000 sales tax stands at \$28.1 million (2.7%) compared to FY 1999.

The REC estimate for FY 2000 sales tax receipts is \$1.436 billion, an increase of 4.3% compared to actual FY 1999.

Corporate income tax receipts in March were \$5.2 million (24.9%) more than March 1999. Final return payments were the primary cause of the gain for March. Return payments received in March were \$5.7 million (128.9%) more than March 1999. Overall FY 2000 corporate income tax payments are \$4.1 million (2.0%) below the FY 1999 level.

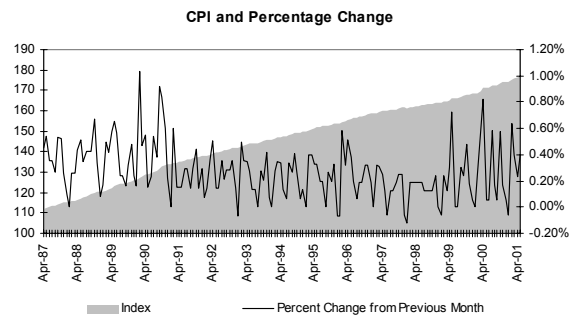
The REC projected FY 2000 corporate income tax receipts would total \$316.1 million, a decrease of 1.8% compared to actual FY 1999.

Racing and gaming receipts to the General Fund in November reached their statutory cap of \$60.0 million during November. All racing and gaming receipts in excess of \$60.0 million are deposited in the Rebuild Iowa Infrastructure Fund. As a result, activity in these accounts has little direct impact on the General Fund. The REC estimated that \$112.2 million from this source would be deposited to the Infrastructure Account in FY 2000.

Status of the Economy

The seasonally adjusted percent unemployed for the State in February fell from January's rate of 2.4% to 2.2%. The unemployment rate a year ago was 2.7%. Iowa's total February employment registered 1,551,800, up from January's level of 1,546,400. The number of unemployed persons in Iowa stood at 35,000 in February, which is down from January's level of 37,600. The U.S. unemployment rate increased in February to 4.1%.

Consumer prices in February rose by 0.5% from January's level. The Consumer Price Index (CPI-U) through February 2000 was 169.7 (1983=100), which is 3.2% higher than one year ago. The following series illustrate U.S. and Iowa unemployment comparisons and the CPI through February 2000.



Information related to State General Fund receipts is available electronically through the Fiscal Bureau's Electronic Publishing of Information System (EPI). If you have questions regarding this service, you may contact Glen Dickinson (515-281-4616).

GENERAL FUND RECEIPTS - FY 2000 vs. FY 1999						ESTIMATED GENERAL FUND RECEIPTS			
July 1 through March 31, in millions of dollars						in millions of dollars			
	FY 1999		FY 2000		Year to Date % CHANGE	March % CHANGE	FY 99 Actual Compared to FY 00 REC Estimate		
	\$		\$				Actual FY 1999	Estimate FY 2000	% CHANGE
Personal Income Tax	\$ 1,577.2		\$ 1,637.3		3.8%	5.1%	\$ 2,233.7	\$ 2,331.7	4.4%
Sales Tax	1,041.8		1,069.9		2.7%	5.6%	1,377.5	1,436.4	4.3%
Use Tax	185.8		186.8		0.5%	10.6%	242.7	249.0	2.6%
Corporate Income Tax	206.5		202.4		-2.0%	24.9%	321.8	316.1	-1.8%
Inheritance Tax	68.6		91.6		33.5%	13.1%	90.1	118.3	31.3%
Insurance Premium Tax	56.7		59.1		4.2%	2.5%	114.3	119.0	4.1%
Cigarette Tax	68.2		67.5		-1.0%	10.9%	92.3	89.0	-3.6%
Tobacco Tax	4.9		5.0		2.0%	3.8%	6.5	6.8	4.6%
Beer Tax	9.8		10.1		3.1%	9.4%	13.1	13.1	0.0%
Franchise Tax	20.3		19.3		-4.9%	-7.3%	33.8	32.9	-2.7%
Miscellaneous Tax	1.4		2.6		85.7%	-63.2%	1.1	1.1	0.0%
Total Special Taxes	\$ 3,241.2		\$ 3,351.6		3.4%	6.6%	\$ 4,526.9	\$ 4,713.4	4.1%
Institutional Payments	39.1		37.3		-4.6%	-20.3%	49.7	46.6	-6.2%
Liquor Transfers:									
Profits	21.5		25.5		18.6%	20.0%	32.3	34.5	6.8%
7% Gross Revenue	6.8		6.8		0.0%	0.0%	9.0	9.0	0.0%
Interest	22.4		19.2		-14.3%	39.5%	34.1	25.5	-25.2%
Fees	44.5		51.4		15.5%	-22.1%	58.3	65.0	11.5%
Judicial Revenue	30.6		34.8		13.7%	37.1%	48.3	53.3	10.4%
Miscellaneous Receipts	49.8		41.6		-16.5%	26.7%	61.3	53.0	-13.5%
Racing and Gaming Receipt	60.0		60.0		0.0%	0.0%	60.0	60.0	0.0%
TOTAL RECEIPTS	\$ 3,515.8		\$ 3,627.9		3.2%	6.5%	\$ 4,879.9	\$ 5,060.3	3.7%